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Memorandum on the Allocation of the Federal Tax Burden and Federal Grants-In-Aid by State
Fiscal Year 1988

This memorandum presents a state-by-state comparison of Federal tax burdens with Federal grants-in-aid to state and local governments for fiscal year 1988. The tax burdens in this comparison total $108,724.7 million for all states and reflect the cost of the Federal grants programs only; total Federal tax burdens in fiscal 1988 were $884,364 million.

The tax burdens are estimated by the Tax Foundation, based on a special formula that measures the final geographic burden of taxes, as distinguished from the area of initial tax impact (the state from which the taxes are collected), as explained below.

The data on grants-in-aid are derived from "Federal Expenditures by State for Fiscal Year 1988," prepared by the Governments Division, Bureau of the Census, U.S. Department of Commerce. The Tax Foundation adjusts the U.S. total for Federal grants-in-aid, as shown in the Census report, by deducting figures for U.S. Territories, undistributed amounts, and for "shared revenues," such as receipts from public lands and Federal payments in lieu of taxes on Federal lands.

The 1988 Comparisons of Federal Tax Burdens And Federal Grants-in-Aid

Table 1 presents the results of these comparisons for fiscal year 1988.

The cost of supporting grant programs fell most heavily on the residents of 18 states whose aggregate Federal tax burden to support grant programs exceeded the amount of grants received by their respective state and local governments. As a whole, the 126 million residents of the "paying" states paid $59,611 million in Federal taxes to support grant programs while their state and local governments received $47,457 million in grants, an average tax burden of $1.26 for each dollar of grants received. The 120 million residents of the other 32 states and the District of Columbia paid, on the average, 80 cents in Federal taxes for each dollar of aid received by their state and local governments — $49,114 million in Federal taxes for $61,268 million in Federal grants.

It should be emphasized that these comparisons of Federal tax burdens for aid payments per $1.00 of assistance do not actually indicate the entire costs which state and local governments incur for obtaining Federal grants. The comparisons, with few exceptions, do not take into account the costs to these governments of administering the programs for which the aid is granted, nor the amounts of matching funds which the state and local governments must make available out of their own revenues in order to qualify as recipients of these grants. It is estimated that state and local governments provide about 42 cents of matching funds for each $1.00 of Federal aid.

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Table 1
Federal Grants-in-Aid To State And Local Governments
And Estimated Federal Tax Burden For Grants
Fiscal Year 1988

State	Grants (a) ($Millions)	Percent of Total Tax Burden	Estimated Tax Burden for Grants (b) ($Millions)	Tax Burden per Dollar of Aid	
				Amount	Rank
Total	$108,724.7	100.00%	$108,724.7	$1.00	-
Alabama	1,667.9	1.22	1,324.7	.79	33
Alaska	579.8	.26	278.9	.48	50
Arizona	1,160.7	1.24	1,347.9	1.16	13
Arkansas	1,004.5	.66	719.4	.72	37
California	11,583.8	12.80	13,917.3	1.20	10
Colorado	1,199.6	1.31	1,421.7	1.19	12
Connecticut	1,542.1	2.03	2,210.4	1.43	5
Delaware	318.5	.32	342.8	1.08	16
Florida	3,415.2	5.17	5,616.8	1.64	1
Georgia	2,959.3	2.29	2,494.0	.84	30
Hawaii	477.2	.42	461.6	.97	21
Idaho	458.1	.29	310.0	.68	40
Illinois	4,669.4	5.23	5,684.5	1.22	8
Indiana	1,959.8	1.99	2,168.0	1.11	14
Iowa	1,199.2	.97	1,058.9	.88	26
Kansas	873.3	.95	1,035.7	1.19	11
Kentucky	1,750.7	1.10	1,199.3	.69	38
Louisiana	2,131.9	1.27	1,381.9	.65	43
Maine	664.7	.42	455.1	.68	39
Maryland	2,004.2	2.24	2,435.5	1.22	9
Massachusetts	3,327.6	3.10	3,368.8	1.01	18
Michigan	4,240.6	3.86	4,198.0	.99	19
Minnesota	2,117.4	1.78	1,936.4	.91	24
Mississippi	1,304.6	.63	680.1	.52	46
Missouri	1,938.1	1.96	2,130.9	1.10	15
Montana	504.5	.24	262.9	.52	47
Nebraska	711.5	.56	611.3	.86	28
Nevada	322.8	.45	490.2	1.52	2
New Hampshire	397.3	.53	576.8	1.45	4
New Jersey	3,327.5	4.58	4,979.9	1.50	3
New Mexico	726.1	.44	479.9	.66	42
New York	12,494.2	8.80	9,571.3	.77	34
North Carolina	2,296.2	2.19	2,383.8	1.04	17
North Dakota	451.3	.22	235.0	.52	48
Ohio	4,693.1	4.20	4,570.2	.97	20
Oklahoma	1,402.2	1.04	1,133.3	.81	32
Oregon	1,110.9	.98	1,064.5	.96	22
Pennsylvania	5,790.4	4.85	5,273.6	.91	25
Rhode Island	643.5	.43	469.4	.73	36
South Carolina	1,351.3	1.03	1,123.8	.83	31
South Dakota	439.5	.21	225.8	.51	49
Tennessee	2,084.4	1.64	1,779.6	.85	29
Texas	5,162.2	6.20	6,742.9	1.31	7
Utah	683.7	.46	503.4	.74	35
Vermont	323.5	.20	218.2	.67	41
Virginia	1,958.8	2.54	2,757.3	1.41	6
Washington	2,131.4	1.86	2,020.0	.95	23
West Virginia	1,054.7	.51	556.1	.53	45
Wisconsin	2,226.9	1.80	1,961.7	.88	27
Wyoming	273.8	.16	174.5	.64	44
District of Columbia	1,615.1	.35	380.8	.24	51

(a) Excludes shared revenues and payments in lieu of taxes; includes trust fund aid.
(b) The tax burden for grants is assumed to equal grant payments.
Source: Tax Foundation computations based on data from the Treasury Department and U.S. Department of Commerce, Bureau of the Census.